

Fredericksburg Community School District .

Independent Auditor's Reports  
Basic Financial Statements  
And Supplementary Information  
Schedule of Findings

June 30, 2009

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**Fredericksburg Community School District**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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**Board of Education**

**(Before September 2008 Election)**

Susan Underwood	President	2010
Richard Haugen	Vice President	2008
Mark Wendland	Board Member	2009
Brad Kerr	Board Member	2009
Candace Ackley	Board Member	2010

**Board of Education**

**(After September 2008 Election)**

Susan Underwood	President	2010
Richard Haugen	Vice President	2011
Mark Wendland	Board Member	2009
Brad Kerr	Board Member	2009
Candace Ackley	Board Member	2010

**School Officials**

Rick Pederson	Superintendent	June 30, 2009
Theresa Schulz	District Secretary/Treasurer	June 30, 2009
John Tremaine	Attorney	June 30, 2009

Independent Auditor's Report

To the Board of Education of  
Fredericksburg Community School District:

I have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the Fredericksburg Community School District, as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. My responsibility is to express opinions on these financial statements based on my audit.


I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe my audit provides a reasonable basis for my opinions.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the Fredericksburg Community School District at June 30, 2009, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, I have also issued my report dated January 19, 2010 on my consideration of the Fredericksburg Community School District's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of my audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 12 and 40 through 41 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Fredericksburg Community School District's basic financial statements. Another auditor previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the four years ended June 30, 2008 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in my audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

  
Keith Oltrogge  
Certified Public Accountant

January 19, 2010

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

Fredericksburg Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2009. I encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### **2009 FINANCIAL HIGHLIGHTS**

- General Fund revenues increased from \$3,700,390 in fiscal 2008 to \$3,770,533 in fiscal 2009, while General Fund expenditures increased from \$3,555,694 in fiscal 2008 to \$3,650,175 in fiscal 2009. The District's General Fund balance increased from \$1,134,060 in fiscal 2008 to \$1,254,992 in fiscal 2009, a 10% increase.
- The increase in General Fund revenues was attributable to an increase in revenues from other state and federal revenue sources. The increase in expenditures was due to higher costs in Instruction for the year.
- The District's solvency ratio has increased from 31.7% at June 30, 2008 to 32.3% at June 30, 2009. The District's solvency level indicates the District is able to meet unforeseen financing requirements and presents a sound risk for the timely repayment of short-term debt obligations.

### **USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Fredericksburg Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Fredericksburg Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Fredericksburg Community School District acts solely as an agent or custodian for the benefit of those outside of the District.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the non-major governmental funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

**Figure A-1**  
**Fredericksburg Community School District Annual Financial Report**

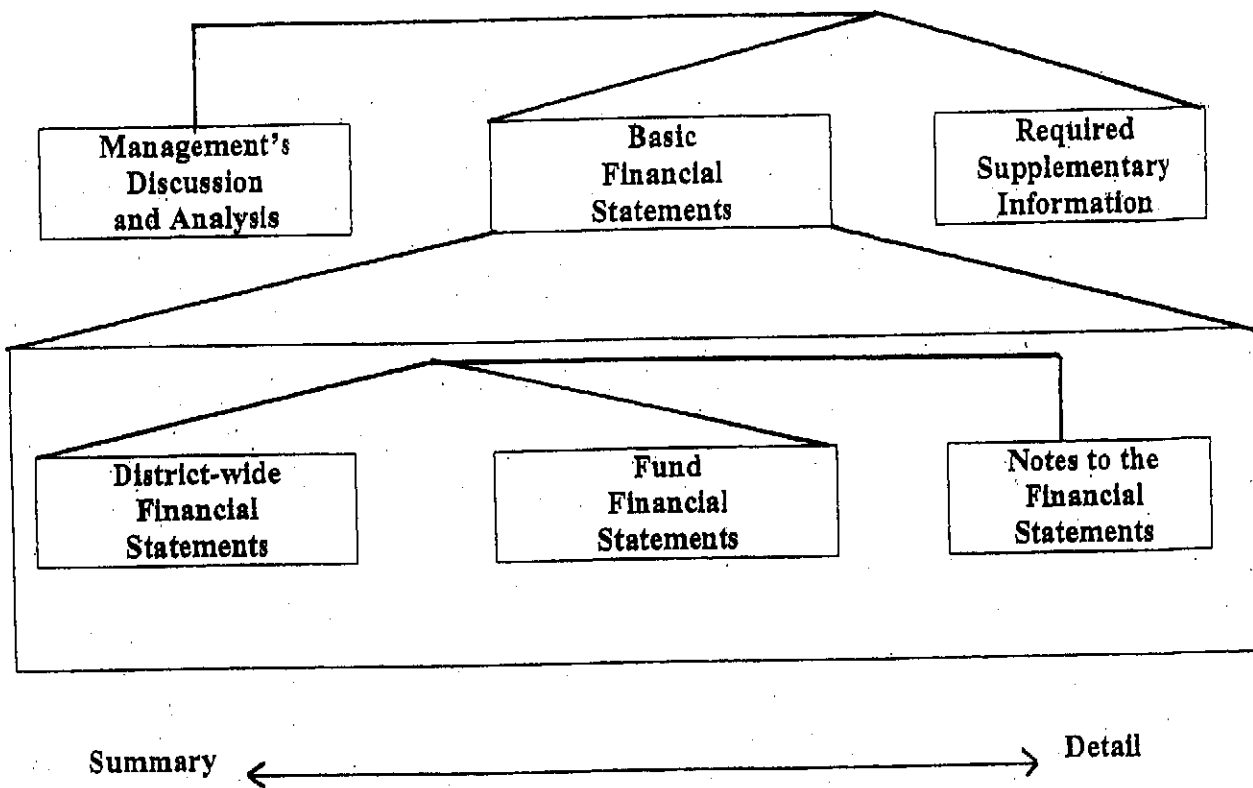


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

**Figure A-2**  
**Major Features of the Government-wide and Fund Financial Statements**

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and adult education	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	Statement of net assets	Balance sheet	Statement of net assets	Statement of fiduciary net assets
	Statement of activities	Statement of revenues, expenditures and changes in fund balances	Statement of revenues, expenses and changes in fund net assets	Statement of changes in fiduciary net assets
			Statement of cash flows	
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/ liability information	All assets and liabilities, both financial and capital, short-term and long- term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long- term	All assets and liabilities, both short- term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

## REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

### *Government-wide Financial Statements*

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

### *Fund Financial Statements*

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund.

The required financial statements for proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust Funds.

- Private-Purpose Trust Funds – The District accounts for outside donations for scholarships for individual students in this fund.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds includes a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

Reconciliation between the government-wide financial statements and the fund financial statements follow the fund financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2009 compared to June 30, 2008.

**Figure A-3**  
**Condensed Statement of Net Assets**  
(Expressed in Thousands)

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2009	2008	2009	2008	2009	2008	2008-2009
Current and other assets	\$3,973	\$3,562	\$34	\$14	\$4,007	\$3,576	\$431
Capital assets	1,506	1,564	16	18	1,522	1,582	-60
Total assets	\$5,479	\$5,126	\$50	\$32	\$5,529	\$5,158	\$371
Long-term liabilities	\$-	\$105	\$-	\$-	\$-	\$105	-\$105
Other liabilities	1,342	1,347	2	2	1,344	1,349	-5
Total liabilities	\$1,342	\$1,452	\$2	\$2	\$1,344	\$1,454	-\$110
Net assets:							
Invested in capital assets, net of related debt	\$1,506	\$1,458	\$16	\$18	\$1,522	\$1,476	\$46
Restricted	755	7	-	-	755	7	748
Unrestricted	1,876	2,209	32	12	1,908	2,221	-313
Total net assets	\$4,137	\$3,674	\$48	\$30	\$4,185	\$3,704	\$481

The District's combined net assets increased by nearly 3%, or approximately \$46,000, over the prior year. The largest portion of the District's net assets is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets.

Restricted net assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased approximately \$748,000, or 100% over the prior year.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased approximately \$313,000, or 14%.

Figure A-4 shows the change in net assets for the year ended June 30, 2009 compared to the year ended June 30, 2008.

**Figure A-4**  
**Changes in of Net Assets**  
(Expressed in Thousands)

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2009	2008	2009	2008	2009	2008	2008-2009
Revenues:							
Program revenues:							
Charges for service	\$1,211	\$1,237	\$83	\$76	\$1,294	\$1,313	-\$19
Operating grants, contributions and restricted interest	443	363	78	68	521	431	90
Capital grants, contributions and restricted interest	-	-	-	-	-	-	-
General revenues:							
Property tax	1,388	1,359	-	-	1,388	1,359	29
Local option sales and service tax	199	184	-	-	199	184	15
Unrestricted state grants	1,035	1,039	-	-	1,035	1,039	-4
Unrestricted investment earnings	63	102	-	1	63	103	-40
Other	44	38	-	-	44	38	6
Total revenues	\$4,383	\$4,322	\$161	\$145	\$4,544	\$4,467	\$77
Program expenses:							
Governmental activities:							
Instruction	\$2,691	\$2,633	-	\$-	\$2,691	\$2,633	\$58
Support services	1,102	1,069	-	-	1,102	1,069	33
Non-instructional programs	-	-	143	140	143	140	3
Other expenses	128	122	-	-	128	122	6
Total expenses	\$3,921	\$3,824	\$143	\$140	\$4,064	\$3,964	\$100
Increase (Decrease) in net assets	\$462	\$498	\$18	\$5	\$480	\$503	-\$23

In fiscal 2009, property tax and unrestricted state grants account for 53% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 93% of the total expenses.

## Governmental Activities

Revenues for governmental activities were \$4,383,211 and expenses were \$3,920,872. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses.

**Figure A-5**  
**Total and Net Cost of**  
**Governmental Activities**  
(Expressed in thousands)

	Total Cost of Services	Net Cost of Services
Instruction	\$2,691	\$1,123
Support Services	1,102	1,016
Non-instructional programs	-	-
Other expenses	128	128
Totals	\$3,921	\$2,267

- The cost financed by users of the District's programs was \$1,210,812.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$442,805.
- The net cost of governmental activities was financed with \$1,588,031 in property and other taxes and \$1,034,939 in unrestricted state grants.

## Business Type Activities

Revenues for business type activities were \$160,900, representing a 10.3% increase from the prior years, while expenses were \$143,341 a 2.5% increase from the prior year. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

## INDIVIDUAL FUND ANALYSIS

As previously noted, Fredericksburg Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balances of \$2,631,195, above last year's ending fund balances of \$2,216,131. The primary reason for the increase in combined fund balances in fiscal 2009 is due to increased revenues and careful spending.

## Governmental Fund Highlights

The District's General Fund financial position remains healthy as a result of many factors. Growth during the year in local taxes resulted in an increase in revenues.

The General Fund balance increased from \$1,134,060 to \$1,254,992, due to an increase in current assets.

The Capital Projects Fund balance increased from \$495,005 in 2008 to \$697,106 in 2009.

## Proprietary Fund Highlights

School Nutrition Fund net assets decreased from \$29,934 at June 30, 2008 to \$47,493 at June 30, 2009, representing a increase of approximately 37%.

## BUDGETARY HIGHLIGHTS

The District's receipts were \$49,693 less than budgeted receipts, a variance of 1.1%. The most significant variance resulted from the District receiving less from local and state sources than originally anticipated.

It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2009, the District had invested \$1,506,162, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net decrease of 4% from last year. More detailed information about the District's capital assets is presented in Note 3 to the financial statements. Depreciation expense for the year was \$125,941.

The original cost of the District's capital assets was \$3,521,637. Governmental funds account for \$3,484,655, with the remainder of \$36,892 accounted for in the Proprietary, School Nutrition Fund.

**Figure A-6**  
**Capital Assets, net of Depreciation**  
(Expressed in thousands)

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2009	2008	2009	2008	2009	2008	2008-2009
Land	\$18	\$18	\$-	\$-	\$18	\$18	\$-
Buildings and improvements	1,277	1,322	-	-	1,277	1,322	-45
Improvements other than buildings	30	17	-	-	30	17	13
Furniture and equipment	181	206	16	19	197	225	-28
Totals	\$1,506	\$1,563	\$16	\$19	\$1,522	\$1,582	-\$60

### Long-Term Debt

At June 30, 2009, the District had \$0 in general obligation debt outstanding. This represents a decrease of 100% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 4 to the financial statements.

**Figure A-7**  
**Outstanding Long-term Obligations**  
(Expressed in thousands)

	Total District		Total Change
	June 30,		June 30,
	2009	2008	2008-2009
General obligation bonds	\$-	\$105	-\$105

## **ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE**

At the time these financial statements were prepared and audited, the District was aware of existing circumstances that could significantly affect its financial health in the future:

The District is continuing a whole grade sharing agreement with Sumner Community School District that began with the 2005-2006 school year to help deal with declining enrollment.

As the community's economy stabilizes, it is anticipated that the District's tax base and enrollment will remain steady.

## **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Theresa Schulz, District Secretary, Fredericksburg Community School District, Fredericksburg IA 50630.

## **Basic Financial Statements**

## Fredericksburg Community School District

## Statement of Net Assets

June 30, 2009

	Govern- mental Activities	Business Type Activities	Total
<b>Assets</b>			
Cash and Cash Equivalents:			
Other	\$ 2,650,421	\$ 26,658	\$ 2,677,079
Receivables:			
Property tax:			
Delinquent	13,914	-	13,914
Succeeding year	1,117,619	-	1,117,619
Accounts	57,237	87	57,324
Due from other governments	133,846	-	133,846
Inventories	-	6,972	6,972
Capital assets, net of accumulated depreciation	1,506,162	15,827	1,521,989
<b>Total Assets</b>	<b>\$ 5,479,199</b>	<b>\$ 49,544</b>	<b>\$ 5,528,743</b>
<b>Liabilities</b>			
Accounts payable	\$ 75,126	\$ -	\$ 75,126
Salaries and benefits payable	25,461	-	25,461
Deferred revenue-succeeding year property tax	1,117,619	-	1,117,619
Deferred revenue-other	123,636	2,051	125,687
<b>Total Liabilities</b>	<b>\$ 1,341,842</b>	<b>\$ 2,051</b>	<b>\$ 1,343,893</b>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	\$ 1,506,162	\$ 15,827	\$ 1,521,989
Restricted for:			
Categorical funding	75,930	-	75,930
Management levy	243,153	-	243,153
Physical plant and equipment levy	305,281	-	305,281
Other special revenue purposes	89,996	-	89,996
Debt service	40,667	-	40,667
Unrestricted	1,876,168	31,666	1,907,834
<b>Total Net Assets</b>	<b>\$ 4,137,357</b>	<b>\$ 47,493</b>	<b>\$ 4,184,850</b>

**Fredericksburg Community School District**

**Statement of Activities**

**Year Ended June 30, 2009**

	Expenses	Charges for Services	Program Revenues	
			Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
<b><u>Functions/Programs</u></b>				
Governmental Activities:				
Instruction:				
Regular instruction	\$ 1,961,879	\$ 909,076	\$ 397,621	\$ -
Special instruction	442,441	164,268	39,905	-
Other instruction	286,505	56,759	-	-
	<u>\$ 2,690,825</u>	<u>\$ 1,130,103</u>	<u>\$ 437,526</u>	<u>\$ -</u>
Support Services:				
Student services	\$ 79,767	\$ -	\$ 2,028	\$ -
Instructional staff services	105,262	-	-	-
Administration services	413,037	65,772	1,500	-
Operation and maintenance of plant services	277,232	1,068	-	-
Transportation services	226,470	13,869	1,751	-
	<u>\$ 1,101,768</u>	<u>\$ 80,709</u>	<u>\$ 5,279</u>	<u>\$ -</u>
Other Expenditures:				
Facilities acquisition	\$ 16,992	\$ -	\$ -	\$ -
Long-term debt interest	3,769	-	-	-
AEA flow-through	107,518	-	-	-
	<u>\$ 128,279</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
 Total Governmental Activities	 \$ 3,920,872	 \$ 1,210,812	 \$ 442,805	 \$ -
Business Type Activities:				
Non-Instructional Programs:				
Food service operations	143,341	82,764	77,921	-
 Total	 \$ 4,064,213	 \$ 1,293,576	 \$ 520,726	 \$ -

Net (Expense) Revenue  
And Changes in Net Assets

Governmental Activities		Business Type Activities		Total
\$	-655,182	\$	-	\$ -655,182
	-238,268		-	-238,268
	-229,746		-	-229,746
\$	-1,123,196	\$	-	\$ -1,123,196
<hr/>				
\$	-77,739	\$	-	\$ -77,739
	-105,262		-	-105,262
	-345,765		-	-345,765
	-276,164		-	-276,164
	-210,850		-	-210,850
\$	-1,015,780	\$	-	\$ -1,015,780
<hr/>				
\$	-16,992	\$	-	\$ -16,992
	-3,769		-	-3,769
	-107,518		-	-107,518
\$	-128,279	\$	-	\$ -128,279
<hr/>				
\$	-2,267,255	\$	-	\$ -2,267,255
<hr/>				
	-		17,344	17,344
<hr/>				
\$	-2,267,255	\$	17,344	\$ -2,249,911

**Fredericksburg Community School District**

**Statement of Activities**

**Year Ended June 30, 2009**

	Program Revenues		
	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Expenses			

**General Revenues:**

Property Tax Levied For:  
    General purposes  
    Capital outlay  
    Debt service  
Local option sales and services tax  
Unrestricted state grants  
Unrestricted investment earnings  
Other

Total General Revenues

Change in net assets before other sources

Other Sources:

    Sale of assets

Change in net assets

Net assets beginning of year

Net Assets End of Year

See notes to financial statements.

Net (Expense) Revenue  
And Changes in Net Assets

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Governmental Activities	Business Type Activities	Total
\$ 1,165,698	\$ -	\$ 1,165,698
113,705	-	113,705
109,141	-	109,141
199,487	-	199,487
1,034,939	-	1,034,939
62,939	215	63,154
43,685	-	43,685
<hr/>		
\$ 2,729,594	\$ 215	\$ 2,729,809
<hr/>		
\$ 462,339	\$ 17,559	\$ 479,898
574	-	574
<hr/>		
\$ 462,913	\$ 17,559	\$ 480,472
3,674,444	29,934	3,704,378
<hr/>		
\$ 4,137,357	\$ 47,493	\$ 4,184,850
<hr/>		

**Fredericksburg Community School District**

**Balance Sheet  
Governmental Funds**

**June 30, 2009**

<b>Assets</b>	General	Management Levy	Capital Projects
Cash and Pooled Investments:			
Other	\$ 1,294,823	\$ 263,461	\$ 657,845
Receivables:			
Property Tax:			
Delinquent	10,999	1,089	-
Succeeding year	961,205	90,000	-
Accounts	17,976	-	39,261
Due from other governments	77,355	-	-
<b>Total Assets</b>	<b>\$ 2,362,358</b>	<b>\$ 354,550</b>	<b>\$ 697,106</b>
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ 74,308	\$ 644	\$ -
Salaries and benefits payable	4,708	20,753	-
Deferred Revenue:			
Succeeding year property tax	961,205	90,000	-
Other	67,145	-	-
Total Liabilities	<b>\$ 1,107,366</b>	<b>\$ 111,397</b>	<b>\$ -</b>
Fund Balances:			
Reserved for:			
Categorical Funding	\$ 75,930	\$ -	\$ -
Debt service	-	-	-
Unreserved	1,179,062	243,153	697,106
Total Fund Balances	<b>\$ 1,254,992</b>	<b>\$ 243,153</b>	<b>\$ 697,106</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 2,362,358</b>	<b>\$ 354,550</b>	<b>\$ 697,106</b>

See notes to financial statements.

Physical Plant and Equipment Levy	Non-major Special Revenue	Total
\$ 304,643	\$ 129,649	\$ 2,650,421
638	1,188	13,914
66,414	-	1,117,619
-	-	57,237
56,491	-	133,846
<u>\$ 428,186</u>	<u>\$ 130,837</u>	<u>\$ 3,973,037</u>
\$ -	\$ 174	\$ 75,126
-	-	25,461
66,414	-	1,117,619
56,491	-	123,636
<u>\$ 122,905</u>	<u>\$ 174</u>	<u>\$ 1,341,842</u>
\$ -	\$ -	\$ 75,930
-	40,667	40,667
305,281	89,996	2,514,598
<u>\$ 305,281</u>	<u>\$ 130,663</u>	<u>\$ 2,631,195</u>
<u>\$ 428,186</u>	<u>\$ 130,837</u>	<u>\$ 3,973,037</u>

**Fredericksburg Community School District**  
**Reconciliation of the Balance Sheet – Governmental Funds**  
**To the Statement of Net Assets**

**June 30, 2009**

<b>Total fund balances of governmental funds (page 16)</b>	\$ 2,631,195
<b><i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i></b>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds	1,506,162
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds	-
Long-term liabilities, including bonds and notes payable and compensated absences, are not due and payable in the current period and, therefore, are not reported in the governmental funds	-
<b>Net assets of governmental activities (page 10)</b>	<u>\$ 4,137,357</u>

**Fredericksburg Community School District**

**Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds**

**Year Ended June 30, 2009**

	General	Management Levy	Capital Projects
Revenues:			
Local Sources:			
Local tax	\$ 1,065,638	\$ 100,060	\$ 199,487
Tuition	654,237	-	-
Other	573,095	6,664	10,625
Intermediate sources	-	-	-
State sources	1,342,613	67	-
Federal sources	134,950	-	-
Total Revenues	\$ 3,770,533	\$ 106,791	\$ 210,112
Expenditures:			
Current:			
Instruction:			
Regular instruction	\$ 1,879,529	\$ 20,753	\$ -
Special instruction	444,464	-	-
Other instruction	235,803	-	-
	\$ 2,559,796	\$ 20,753	\$ -
Support Services:			
Student services	\$ 79,767	\$ -	\$ -
Instructional staff services	98,653	-	-
Administration services	407,022	6,015	-
Operation and maintenance of plant services	235,590	23,477	-
Transportation services	161,829	24,724	-
	\$ 982,861	\$ 54,216	\$ -
Other Expenditures:			
Facilities acquisition	\$ -	\$ -	\$ 8,011
Long-Term Debt:			
Principal	-	-	-
Interest and fiscal charges	-	-	-
AEA flow-through	107,518	-	-
	\$ 107,518	\$ -	\$ 8,011
Total Expenditures	\$ 3,650,175	\$ 74,969	\$ 8,011
Excess (deficiency) of revenue over (under) expenditures	\$ 120,358	\$ 31,822	\$ 202,101
Other financing sources (uses);			
Sales of assets	\$ 574	\$ -	\$ -
Net change in fund balances	\$ 120,932	\$ 31,822	\$ 202,101
Fund balances beginning of year	1,134,060	211,331	495,005
Fund Balances End of Year	\$ 1,254,992	\$ 243,153	\$ 697,106

See notes to financial statements.

Physical Plant and Equipment Projects	Non-Major Special Revenue	Total
\$ 113,705	\$ 109,141	\$ 1,588,031
-	-	654,237
7,193	65,622	663,199
-	-	-
40	74	1,342,794
-	-	134,950
\$ 120,938	\$ 174,837	\$ 4,383,211
<hr/>		
\$ -	\$ -	\$ 1,900,282
-	-	444,464
-	49,902	285,705
\$ -	\$ 49,902	\$ 2,630,451
<hr/>		
\$ -	\$ -	\$ 79,767
-	6,609	105,262
-	-	413,037
-	-	259,067
24,400	-	210,953
\$ 24,400	\$ 6,609	\$ 1,068,086
<hr/>		
\$ 45,580	\$ -	\$ 53,591
-	105,000	105,000
-	4,075	4,075
-	-	107,518
\$ 45,580	\$ 109,075	\$ 270,184
\$ 69,980	\$ 165,586	\$ 3,968,721
<hr/>		
\$ 50,958	\$ 9,251	\$ 414,490
<hr/>		
\$ -	\$ -	\$ 574
<hr/>		
\$ 50,958	\$ 9,251	\$ 415,064
254,323	121,412	2,216,131
<hr/>		
\$ 305,281	\$ 130,663	\$ 2,631,195

**Fredericksburg Community School District**

**Reconciliation of the Statement of Revenues, Expenditures and  
Changes in Fund Balances – Governmental Funds  
To the Statement of Activities**

**Year Ended June 30, 2009**

**Net change in fund balances – total governmental funds (page 18)** \$ 415,064

***Amounts reported for governmental activities in the Statement of Activities are  
different because:***

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures exceeded depreciation expense in the current year, as follows:

Expenditures for capital assets	\$ 68,484	
Depreciation expense	-125,941	-57,457

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year repayments exceeded issues, as follows:

105,000

Repaid

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

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Certain delinquent property tax not collected for several months after year end is not considered available revenue and is deferred in the governmental funds.

-

**Change in Net Assets of Governmental Activities (page 15)**

\$ 462,913

## Fredericksburg Community School District

Statement of Net Assets  
Proprietary Fund

June 30, 2009

	<u>School Nutrition</u>
<b>Assets</b>	
Cash and investments	\$ 26,658
Receivables	87
Inventories	6,972
Capital assets, net of accumulated depreciation	<u>15,827</u>
<b>Total Assets</b>	<u>\$ 49,544</u>
<b>Liabilities</b>	
Deferred revenue	<u>\$ 2,051</u>
<b>Net Assets</b>	
Invested in capital assets, net of related debt	\$ 15,827
Unrestricted	<u>31,666</u>
<b>Total Net Assets</b>	<u>\$ 47,493</u>

**Fredericksburg Community School District**  
**Statement of Revenues, Expenses and Changes in Fund Net Assets**  
**Proprietary Fund**

**June 30, 2009**

	<u>School Nutrition</u>
Operating revenues:	
Local sources:	
Charges for service	\$ 82,764
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	\$ 55,558
Benefits	7,770
Purchased services	2,795
Supplies	74,462
Depreciation	2,756
Total operating expenses	\$ 143,341
Operating loss	\$ -60,577
Non-operating revenues:	
State sources	\$ 1,924
Federal sources	75,997
Interest Income	215
Total non-operating revenues	\$ 78,136
Net Income	\$ 17,559
Net assets beginning of year	29,934
Net Assets End of Year	\$ 47,493

## Fredericksburg Community School District

Statement of Cash Flows  
Proprietary Fund

Year Ended June 30, 2009

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 82,460
Cash paid to employees for services	-63,328
Cash paid to suppliers for goods or services	-58,797
Net cash used by operating activities	<u>\$ -39,665</u>
Cash flows from non-capital financing activities:	
State grants received	\$ 1,924
Federal grants received	55,822
Net cash provided by non-capital financing activities	<u>\$ 57,746</u>
Cash flows from investing activities:	
Interest on investments	<u>\$ 215</u>
Net increase in cash and cash equivalents	\$ 18,296
Cash and cash equivalents beginning of year	<u>8,362</u>
Cash and Cash Equivalents End of Year	<u>\$ 26,658</u>
<b>Reconciliation of operating loss to net cash used by operating activities:</b>	
Operating loss	\$ -60,577
Adjustments to reconcile operating loss to net cash used by operating activities:	
Commodities used	20,175
Depreciation	2,756
(Increase) in inventories	-1,804
(Increase) in accounts receivable	-87
(Decrease) in deferred revenue	<u>-128</u>
Net Cash Used by Operating Activities	<u>\$ -39,665</u>

**Non-cash investing, capital and financing activities:**

During the year ended June 30, 2009, the District received \$20,175 of federal commodities.

**Fredericksburg Community School District**

**Statement of Fiduciary Net Assets  
Fiduciary Funds**

**Year Ended June 30, 2009**

	Private Purpose Trust
	<u>Scholarship</u>
<b>Assets</b>	
Cash and investments	\$ 20,095
<b>Liabilities</b>	
None	\$ -
<b>Net assets</b>	
Reserved for scholarships	\$ 20,095

**Fredericksburg Community School District**  
**Statement of Changes in Fiduciary Net Assets**  
**Fiduciary Funds**

**Year Ended June 30, 2009**

	Private Purpose Trust Scholarship
Additions:	
Local sources:	
Gifts and contributions	\$ 7,800
Interest income	290
Total additions	<u>\$ 8,090</u>
Deductions:	
Support services:	
Scholarships awarded	<u>\$ 9,400</u>
Change in net assets	\$ -1,310
Net assets beginning of year	<u>21,405</u>
Net Assets End of Year	<u>\$ 20,095</u>

## Fredericksburg Community School District

### Notes to Financial Statements

June 30, 2009

#### (1) Summary of Significant Accounting Policies

The Fredericksburg Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of Fredericksburg, Iowa and portions of the predominately agricultural territories in Chickasaw, Bremer and Fayette Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

Effective July 1, 2004, the Fredericksburg Community School District and the Sumner Community School District have entered into a whole grade sharing agreement.

The District's financial statements are prepared in conformity with U. S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

##### A. Reporting Entity

For financial reporting purposes, Fredericksburg Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. Fredericksburg Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organization – The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the County Assessor's Conference Board.

##### B. Basis of Presentation

Government-wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the non-fiduciary activities of the District. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's non-fiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

*Invested in capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

*Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function and (2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as non-major governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Management Fund is used to account for all resources used for early retirement and property and liability insurance obligations.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The Physical Plant and Equipment Levy is used to account for all resources used in the acquisition and restoration of capital assets.

The District reports the following major proprietary fund:

The District's proprietary fund is the Enterprise, School Nutrition Fund. This fund is used to account for the food service operations of the District.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary fund includes the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

#### C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year-end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

#### D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the balance sheet:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most District funds are pooled and invested. Investments are stated at fair value.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable – Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½ % per month penalty for delinquent payments; is based on January 1, 2007 assessed property valuations; is for the tax accrual period July 1, 2008 through June 30, 2009 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2008.

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets – Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 0
Buildings	0
Improvements other than buildings	10,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	1,500

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Improvements other than buildings	20-50 years
Furniture and equipment	5-15 years

Salaries and Benefits Payable – Payroll and related expenditures for support staff corresponding to the current school year, which were paid in July, have been accrued as liabilities.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivable and other receivables not collected within sixty days after year-end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Long-term Liabilities – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Equity – In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets – In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

#### E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

(2) **Cash and Pooled Investments**

The District's deposits in banks at June 30, 2009 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

(3) **Capital Assets**

Capital assets activity for the year ended June 30, 2009 was as follows:

	Balance Beginning Of Year	Increases	Decreases	Balance End Of Year
<b>Governmental Activities:</b>				
Capital assets not being depreciated:				
Land	\$ 18,501	\$ -	\$ -	\$ 18,501
Capital assets being depreciated:				
Buildings and improvements	\$ 2,514,373	\$ -	\$ -	\$ 2,514,373
Improvements other than buildings	55,812	17,914	-	73,726
Furniture and equipment	827,485	50,570	-	878,055
Total capital assets being depreciated	\$ 3,397,670	\$ 68,484	\$ -	\$ 3,466,154
Less accumulated depreciation for:				
Buildings and improvements	\$ 1,191,948	\$ 45,837	\$ -	\$ 1,237,785
Improvements other than buildings	39,273	4,153	-	43,426
Furniture and equipment	621,331	75,951	-	697,282
Total accumulated depreciation	\$ 1,852,552	\$ 125,941	\$ -	\$ 1,978,493
Total capital assets being depreciated, net	\$ 1,545,118	\$ -57,457	\$ -	\$ 1,487,661
Governmental activities capital assets, net	\$ 1,563,619	\$ -57,457	\$ -	\$ 1,506,162

	Balance Beginning Of Year	Increases	Decreases	Balance End Of Year
<b>Business type activities:</b>				
Furniture and equipment	\$ 36,892	\$ -	\$ -	\$ 36,892
Less accumulated depreciation	18,309	2,756	-	21,065
Business type activities capital assets, net	<u>\$ 18,583</u>	<u>\$ -2,756</u>	<u>\$ -</u>	<u>\$ 15,827</u>

Depreciation expense was charged to the following functions:

Governmental Activities:

Instruction:

Regular	\$ 66,592
Special	467
Other	800

Support services:

Administration	-
Operation and maintenance of plant	18,165
Transportation	39,917

Total Depreciation Expense – governmental activities

\$ 125,941

Business type activities:

Food service operations	<u>\$ 2,756</u>
-------------------------	-----------------

**(4) Long-term Liabilities**

Changes in long-term liabilities for the year ended June 30, 2009 are summarized as follows:

	Balance Beginning Of Year	Additions	Reductions	Balance End Of Year	Due Within One Year
General obligation bonds	<u>\$ 105,000</u>	<u>\$ -</u>	<u>\$ 105,000</u>	<u>\$ -</u>	<u>\$ -</u>

Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and employees must have completed fifteen years of continuous service to the District. Employees must complete an application which is required to be approved by the Board of Education. The early retirement incentive for each eligible employees is equal to the employee's base salary calculated by using the current year regular salary schedule, less the BA base of the salary schedule. The early retirement expenditures for the year ended June 30, 2009 were \$20,753.

**(5) Pension and Retirement Benefits**

The District contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits, which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P. O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 4.10% of their annual covered salary and the District is required to contribute 6.35% of annual covered payroll for the years ended June 30, 2009, 2008 and 2007. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2009, 2008 and 2007 were \$102,782, \$111,815, and \$98,651, respectively, equal to the required contributions for each year.

**(6) Risk Management**

Fredericksburg Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(7) Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$107,518 for the year ended June 30, 2009 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

## **Required Supplementary Information**

**Fredericksburg Community School District**

**Budgetary Comparison Schedule of Revenues, Expenditures and Changes in Balances –  
Budget and Actual – All Governmental Funds and Proprietary Fund**

**Required Supplementary Information**

**Year Ended June 30, 2009**

	Governmental Funds Actual	Proprietary Fund Actual	Total Actual
Revenues:			
Local sources	\$ 2,905,467	\$ 82,979	\$ 2,988,446
Intermediate sources	-	-	-
State sources	1,342,794	1,924	1,344,718
Federal sources	134,950	75,997	210,947
Total Revenues	\$ 4,383,211	\$ 160,900	\$ 4,544,111
Expenditures:			
Instruction	\$ 2,630,451	\$ -	\$ 2,630,451
Support services	1,068,086	-	1,068,086
Non-instructional programs	-	143,341	143,341
Other expenditures	270,184	-	270,184
Total Expenditures	\$ 3,968,721	\$ 143,341	\$ 4,112,062
Excess (deficiency) of revenues and other financing sources over (under) expenditures	\$ 414,490	\$ 17,559	\$ 432,049
Other financing sources-Net	574	-	574
Excess (deficiency) of revenue and other financing sources over (under) expenditures/expenses and other financing uses	\$ 415,064	\$ 17,559	\$ 432,623
Balance Beginning of Year	2,216,131	29,934	2,246,065
Balances End of Year	\$ 2,631,195	\$ 47,493	\$ 2,678,688

See accompanying independent auditor's report.

	Budgeted Amounts		Final to Actual Variance
\$	3,034,446	\$	-46,000
	-		-
	1,403,858		-59,140
	155,500		55,447
\$	4,593,804	\$	-49,693

\$	3,035,100	\$	404,649
	1,223,800		155,714
	170,000		26,659
	543,476		273,292
\$	4,972,376	\$	860,314

\$	-378,572	\$	810,621
	-		574

\$	-378,572	\$	811,195
	2,074,798		171,267
\$	1,696,226	\$	982,462

**Fredericksburg Community School District**

**Notes to Required Supplementary Information – Budgetary Reporting**

**Year Ended June 30, 2009**

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

## **Other Supplementary Information**

## Fredericksburg Community School District

Combining Balance Sheet  
Non-Major Revenue Funds

June 30, 2009

	<u>Special Revenue</u>		
	Student Activity	Debt Service	Total
<b>Assets</b>			
Cash and pooled investments	\$ 90,170	\$ 39,479	\$ 129,649
Receivables:			
Property Tax:			
Delinquent	-	1,188	1,188
<b>Total Assets</b>	<u>\$ 90,170</u>	<u>\$ 40,667</u>	<u>\$ 130,837</u>
<b>Liabilities &amp; Fund Balances</b>			
Liabilities:			
Accounts payable	\$ 174	\$ -	\$ 174
Total Liabilities	<u>\$ 174</u>	<u>\$ -</u>	<u>\$ 174</u>
Fund Equity:			
Restricted	\$ -	\$ 40,667	\$ 40,667
Unreserved fund balances	89,996	-	89,996
Total Fund Equity	<u>\$ 89,996</u>	<u>\$ 40,667</u>	<u>\$ 130,663</u>
<b>Total Liabilities &amp; Fund Balances</b>	<u>\$ 90,170</u>	<u>\$ 40,667</u>	<u>\$ 130,837</u>

**Fredericksburg Community School District**  
**Combining Schedule of Revenues, Expenditures**  
**and Changes in Fund Balances**  
**Non-Major Revenue Funds**

**Year Ended June 30, 2009**

	Special Revenue		Debt Service		Total
	Student Activity				
Revenues:					
Local Sources:					
Local tax	\$	-	\$	109,141	\$ 109,141
Other		59,874		5,748	65,622
State sources		-		74	74
Total Revenues	\$	59,874	\$	114,963	\$ 174,837
Expenditures:					
Current:					
Instruction:					
Other instruction	\$	49,902	\$	-	\$ 49,902
Support Services:					
Instructional staff services		6,609		-	6,609
Other Expenditures:					
Long-Term Debt:					
Principal		-		105,000	105,000
Interest and fiscal charges		-		4,075	4,075
Total Expenditures	\$	56,511	\$	109,075	\$ 165,586
Excess (deficiency) of revenues over (under) expenditures	\$	3,363	\$	5,888	\$ 9,251
Fund balances beginning of year		86,633		34,779	121,412
Fund Balances end of year	\$	89,996	\$	40,667	\$ 130,663

## Fredericksburg Community School District

## Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year Ended June 30, 2009

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Book orders	\$ -	\$ 299	\$ 299	\$ -
Athletics	45,317	29,255	26,668	47,904
Cheerleaders	627	-	-	627
Music	4,886	4,967	4,280	5,573
Student Council	425	-	55	370
FHA – HERO Club	521	2,462	2,595	388
Art Club	139	-	-	139
Science Club	490	-	-	490
Drama Club	64	-	-	64
Snack – activity	3,319	6,780	6,643	3,456
School annual	449	188	-	637
Pictures	274	1,239	-	1,513
Flowers and pop	2,125	1,173	1,344	1,954
Book Fair	627	3,697	3,895	429
Resale computer supplies	68	-	-	68
Interest	6,898	-2,940	-	3,958
Gym rent	-	1,068	1,068	-
Jump Rope for Heart	42	609	609	42
Miscellaneous – juice machine	5,687	1,131	714	6,104
Falcon Friends	252	16	173	95
Field trip	1,854	-	-	1,854
Elementary	2,054	2,479	2,122	2,411
Friends of the Falcon Nest	8,516	3,720	2,351	9,885
School store – ELP	202	3,531	3,531	202
Milk machine	918	-	-	918
OM Team	879	-	-	879
RIF - Activity	-	200	164	36
Total	\$ 86,633	\$ 59,874	\$ 56,511	\$ 89,996

**Fredericksburg Community School District**

**Schedule of Revenues by Source and Expenditures by Function  
All Governmental Funds**

**For the Last Six Years**

	Modified Accrual Basis		
	2009	2008	2007
Revenues:			
Local Sources:			
Local tax	\$ 1,588,031	\$ 1,543,440	\$ 1,491,417
Tuition	654,237	749,798	752,551
Other	663,199	627,353	702,997
State sources	1,342,794	1,299,832	1,212,974
Federal sources	134,950	102,689	115,484
Total	<u>\$ 4,383,211</u>	<u>\$ 4,323,112</u>	<u>\$ 4,275,423</u>
Expenditures:			
Instruction:			
Regular instruction	\$ 1,900,282	\$ 1,945,079	\$ 1,947,026
Special instruction	444,464	353,162	369,818
Other instruction	285,705	268,159	285,298
Support services:			
Student services	79,767	91,705	94,978
Instructional staff services	105,262	97,112	45,177
Administrative services	413,037	396,572	432,958
Operation and maintenance of plant services	259,067	249,156	239,558
Transportation services	210,953	184,771	238,656
Central support services	-	-	-
Other expenditures:			
Facilities acquisition	53,591	69,356	149,204
Long-term debt:			
Principal	105,000	105,000	100,000
Interest and other charges	4,075	7,225	10,225
AEA flow-through	107,518	106,867	104,285
Total	<u>\$ 3,968,721</u>	<u>\$ 3,874,164</u>	<u>\$ 4,017,183</u>

See accompanying independent auditor's report.

Modified Accrual Basis		
2006	2005	2004
\$ 1,483,959	\$ 1,432,914	\$ 1,391,507
1,103,150	977,609	151,500
166,874	252,730	182,412
1,169,719	1,208,715	1,227,694
82,295	131,631	54,895
<u>\$ 4,005,997</u>	<u>\$ 4,003,599</u>	<u>\$ 3,008,008</u>

\$ 1,893,862	\$ 1,872,978	\$ 1,146,872
327,348	395,636	305,979
204,123	223,023	265,840
64,465	58,176	78,900
49,158	57,276	54,419
525,125	380,874	391,050
307,109	329,201	224,243
107,322	94,491	71,067
18,366	17,820	16,362
96,390	25,344	107,757
100,000	100,000	590,000
12,725	14,725	36,006
100,271	101,118	103,540
<u>\$ 3,806,264</u>	<u>\$ 3,670,662</u>	<u>\$ 3,392,035</u>

**Independent Auditor's Report on Internal Control over Financial Reporting  
and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in  
Accordance with Government Auditing Standards**

Independent Auditor's Report on Internal Control over Financial Reporting  
and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in  
Accordance with Government Auditing Standards

To the Board of Education of  
Fredericksburg Community School District:

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Fredericksburg Community School District as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued my report thereon dated January 19, 2010. I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Fredericksburg Community School District's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing my opinion on the effectiveness of Fredericksburg Community School District's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of Fredericksburg Community School District's internal control over financial reporting.

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, I identified certain deficiencies in internal control over financial reporting that I consider to be significant deficiencies and other deficiencies I consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Fredericksburg Community Schools District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Fredericksburg Community School District's financial statements that is more than inconsequential will not be prevented or detected by Fredericksburg Community School District's internal control. I consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Fredericksburg Community School District's internal control.

My consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, I believe items and I-A-09 is a material weakness.

### Compliance and Other Matters


As part of obtaining reasonable assurance about whether Fredericksburg Community School District's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, I noted certain immaterial instances of noncompliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2009 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the District. Since my audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Fredericksburg Community School District's responses to findings identified in my audit are described in the accompanying Schedule of Findings. While I have expressed my conclusions on the District's responses, I did not audit Fredericksburg Community School District's responses, and, accordingly, I express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Fredericksburg Community School District and other parties to whom Fredericksburg Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

I would like to acknowledge the many courtesies and assistance extended to me by personnel of Fredericksburg Community School District during the course of my audit. Should you have any questions concerning any of the above matters, I shall be pleased to discuss them with you at your convenience.

  
Keith Oltrogge  
Certified Public Accountant

January 19, 2010

**Fredericksburg Community School District**

**Schedule of Findings**

**Year Ended June 30, 2009**

**Part I – Findings Related to the General Purpose Financial Statements**

**INSTANCES OF NON-COMPLIANCE:**

No matters were reported.

**SIGNIFICANT DEFICIENCIES:**

- 1-A-09 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The cash receipts listing, bank deposits, posting of the cash receipts and disbursements, and preparation of the bank reconciliation are all done by the same person.

Recommendation – I realize segregation of duties is difficult with a limited number of office employees. However the District should review its procedures to obtain the maximum internal control possible under the circumstances.

Response – We will continue to review our procedures and make changes to improve internal control where possible.

Conclusion – Response accepted.

- 1-B-09 Annual Financial Statements – The ability to apply generally accepted accounting principles to the financial statements and determine the sufficiency of the footnote disclosure is a necessary aspect of internal control over the District's financial reporting process. The District does not possess an individual with the appropriate expertise to apply generally accepted accounting principles to the financial statements and to draft and determine the sufficiency of the necessary disclosures. The District has a limited number of employees and it is not cost beneficial to employ an individual with this type of expertise and knowledge. The internal financial statements prepared by the District are not prepared in accordance with generally accepted accounting principles and do not contain the required footnote disclosures.

Recommendation – This is common control deficiency of most small Districts and is often not corrected due to cost benefit considerations. I could assist you in gaining the necessary knowledge and skills if you determine that this is a control deficiency that the District would like to address.

Response – We will consult with you as needed on financial statement considerations.

Conclusions – Response accepted.

**Fredericksburg Community School District**

**Schedule of Findings**

**Year Ended June 30, 2009**

**Part II - Other Findings Related to Statutory Reporting:**

- II-A-09 Certified Budget – Expenditures for the year ended June 30, 2009 did not exceed the certified budget.
- II-B-09 Questionable Expenditures – No expenditures, I believe, may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- II-C-09 Travel Expense – No expenditures of District money for travel expenses of spouses of District officials or employees noted. No travel advances to District officials or employees were noted.
- II-D-09 Business Transactions – No business transactions between the District and District officials or employees Were noted
- II-E-09 Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure the coverage is adequate for current operations.
- II-F-08 Board Minutes – No transactions requiring Board approval, which had not been approved by the Board were noted.
- II-G-08 Certified Enrollment – No variances in the basic enrollment data certified to the Iowa Department of Education were noted.
- II-H-08 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.
- II-I-08 Certified Annual Report – The Certified Annual Report was certified to the Iowa Department of Education timely.
- II-J-09 Categorical Funding – No instances were noted of categorical funding being used to supplant rather than supplement other funds.
- II-K-09 Statewide Sales and Services Tax – No instances of non-compliance with the use of the statewide sales and services tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales and service tax. For the year ended June 30, 2009, the District's financial activity and other required information for the statewide sales and services tax are as follows:

Beginning balance	\$	-
Statewide sales and services tax revenue		199,488
Expenditures/transfers out:		
School infrastructure:		
Other improvement	\$	8,011
		8,011
Ending balance	\$	<u>191,477</u>